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NEWS RELEASE

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PSC APPROVES “SMART METER” PILOT PROGRAM FOR LG&E
Devices will allow customers to monitor electric prices and adjust usage

FRANKFORT, Ky. (July 12, 2007) – The Kentucky Public Service Commission (PSC) today approved a pilot program under which 150 customers of Louisville Gas and Electric Co. (LG&E) will join a voluntary program designed to test the idea that consumers will shift usage patterns in response to varying prices at different times of day.

The customers will receive a special meter, devices to help them control electric usage and equipment that will provide information on the price of power.

Electric rates for the 150 participants (up to 100 residential customers and 50 commercial customers) will be below the current rate for about 87 percent of the hours in year. However, they would be higher than the current rates during times when electric usage overall is high, and would be about five times higher than current rates during brief periods of peak usage.

The rates are designed so that a customer who does not alter electric usage patterns would pay about the same under the variable rates as the current rates.

However, a customer who chooses to reduce usage during the high-cost periods would see an overall reduction in their electric bill.

Because a utility's generation and transmission systems must be built to meet peak loads, shifting usage away from those periods can benefit both the utility and its customers by reducing the maximum loads and thus lessening the need to build new facilities to meet the peak demand.

“This pilot program can help us determine whether consumers, when provided with timely information on their electric usage and its cost, will shift usage away from high-cost periods,” PSC Chairman Mark David Goss said. “That kind of information can be very helpful in planning the most cost-effective ways to deal with rising demand for electricity.”

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An additional 1,850 customers will serve as a “control group” and will receive other combinations of specialized equipment. Their electric rates will not change. Data from these customers will be compared to information gathered from participants in the pilot program.

The 150 participants in the program and the control group customers will have a “smart” meter that will allow communication between LG&E and the meter. LG&E will know how much electricity is being used in any given period. The meter can communicate with an in-home display device that informs the customer of their current electric consumption and current electric rate and provides at least a 30-minute warning before the highest rates take effect.

The 150 “responsive pricing” participants will receive the display devices and programmable thermostats that also will communicate with the meter. The thermostats can be programmed to vary the temperature with the price of electricity. LG&E also will provide “load control” switches to reduce usage by electric water heaters and other high-consumption appliances.

As many as 400 customers in the control group will receive some combination of display devices, programmable thermostats or load control switches. The remaining 1,450 customers in the control group will receive smart meters only.

Only the 150 responsive pricing participants will be subject to the time-based rates.

The current residential rate is 6.04 cents per kilowatt-hour (kwh). A kilowatt-hour is the amount of electricity needed to run a 100-watt light bulb for 10 hours.

For residential consumers, time-based rates will fall into four categories:

- A low-cost rate of 3.99 cents per kwh, that will apply 56 percent of the time.
- A medium-cost rate of 5.22 cents per kwh, applying 31 percent of the time.
- A high-cost rate of 10.64 cents per kwh, which would apply 12 percent of the time, generally in the afternoon from June through September and in the evening during the rest of the year.
- A critical cost rate of 30.1 cents per kwh, that would take effect only at times of extremely high electric demand in the LG&E system and which would be in effect for no more than 1 percent of the time, or no more than 80 hours per year.

In order to defray a portion of the equipment costs, residential customers who volunteer for the pilot program will pay an additional monthly customer charge of \$5. LG&E will recover overall program costs through its existing surcharge which funds energy conservation programs.

A similar rate structure will apply for any small commercial customers who choose to participate in the program.

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Data collected from the participants and control group will be analyzed to determine whether customers are more likely to reduce or shift electric consumption when provided with information on usage and rates and devices that facilitate energy management.

The pilot program will continue for at least three years. Participants will be asked to make a one-year commitment.

LG&E initiated the program to comply with a PSC order issued in December 2006 requiring electric utilities in the state to implement smart metering pilot programs. LG&E was the only utility required to implement a program for residential and commercial consumers, because it had agreed to do so in a partial settlement in LG&E’s last electric rate case, which was concluded in June 2004.

Electric consumers who want to reduce usage can find tips on how to save energy at:

Governor’s Office of Energy Policy: <http://www.energy.ky.gov/dre3/tips/tips.htm>

U.S. Department of Energy: <http://www.eere.energy.gov/consumer/>

Today’s order and other documents in the case are available on the PSC Web site, psc.ky.gov. The case number is 2007-00117.

The PSC is an independent agency attached for administrative purposes to the Department of Public Protection in the Environmental and Public Protection Cabinet. It regulates more than 1,500 gas, water, sewer, electric and telecommunication utilities operating in the commonwealth of Kentucky and has approximately 110 employees.